

NEW FOR 1999

CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES AMENDED

Effective July 1, 1999, the statute allowing a credit for contributions to educational entities now specifically allows donations to an Idaho university-related research park to qualify for the credit.

CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES EXPANDED

Donations made on or after January 1, 1999, to the Hope House, Inc. or its foundation will qualify for the credit for contributions to youth and rehabilitation facilities.

PROMOTER-SPONSORED EVENT CREDIT

Effective July 1, 1999, an event sponsor or promoter who is appointed to issue temporary sales tax permits is allowed a \$1 credit for each temporary permit he issues during the tax year. To qualify for the credit, the promotor or sponsor must have filed Form ST-124 with the Tax Commission.

GENERAL INFORMATION

WHO MUST FILE FORM 41

A corporation or association that is transacting business in Idaho, is registered with the Idaho Secretary of State to do business in Idaho, or has income attributable to Idaho must file Form 41. This includes a(n):

- regular corporation subject to the income or franchise tax.
- nonprofit organization that receives unrelated business income, as defined in the Internal Revenue Code (IRC). If you do not receive unrelated business income, you are not required to file an Idaho corporate income tax return. However, if you file a federal Form 990, the Idaho State Tax Commission will accept a copy.
- corporation in business solely to perform contracts with the U.S. Department of Energy at the Idaho National Engineering and Environmental Laboratory. This corporation is subject to the Idaho franchise tax. See Franchise Tax, page 2.
- receiver, trustee in dissolution, trustee in bankruptcy, or assignee who possesses or holds title to all or substantially all of the property or business of a corporation, even if the property or business is not being operated.
- mutual savings bank that does not have capital stock represented by shares, a domestic building and loan association, a domestic savings and loan association, a federal savings and loan association with substantially all of the business confined to making loans to members, and a cooperative bank without capital stock operated for mutual purposes and without profit.
- limited liability company treated as a corporation for federal income tax purposes.
- common law trust treated as a corporation for federal income tax purposes.
- Real Estate Investment Trust (REIT)
- Regulated Investment Company (RIC)
- homeowners' association
- inactive or nameholder corporation
- nonproductive mining corporation
- publicly traded partnership treated as a corporation under IRC Section 7704

WHO MUST FILE FORM 41S

A corporation filing as an S corporation for federal income tax purposes must file Form 41S if it:

- is transacting business in Idaho;
- is registered with the Idaho Secretary of State to do business in Idaho; or
- has one or more shareholders residing in Idaho.

Idaho accepts the federal approval of the S corporation election. Federal Form 2553 or a copy of the federal notice approving the election must be attached to your Idaho tax return for the first year you file Form 41S.

TRANSACTING BUSINESS

Transacting business in Idaho is indicated by, but not limited to, the following activities:

- owning or leasing, as lessor or lessee, any property in Idaho;
- soliciting business in Idaho;
- being a member of a partnership or S corporation with business in Idaho;
- any Idaho activity from which income is received, realized, or derived; or
- having an agent, such as a collector, repair person, delivery person, etc., acting on your behalf in Idaho.

HOW TO FILE

A complete copy of the federal income tax return must be attached to the Idaho income tax return. If filing a Form 41S, all Schedules K-1 must be attached to the return or submitted with the return on microfiche. Failure to attach a complete copy of the federal return may cause the return to be delinquent.

The return must be signed by an authorized individual on behalf of the corporation.

Round the amounts on the return to the nearest whole dollar.

WHERE TO FILE

Mail the return and payment to:

IDAHO STATE TAX COMMISSION
PO BOX 56
BOISE ID 83756-0056

DUE DATE OF RETURN

Unless you are a farmer's cooperative, your return is due on or before the 15th day of the fourth month following the close of your tax year. For a calendar year filer, this is April 15.

GENERAL INFORMATION

If you are a farmer's cooperative, your return is due on or before the 15th day of the ninth month following the close of your tax year. For a calendar year filer, this is September 15.

If the last day for filing a return falls on a Saturday, Sunday or legal holiday, the return is timely if it is filed on the next work day.

EXTENSION OF TIME TO FILE

If you cannot file your return by the due date, Idaho allows you an automatic six-month extension of time to file. To avoid paying a penalty, the amount of tax payments you have made must be at least 80% of the tax due or 100% of the total tax reported last year. Use Form 41EXT to make your payments. Even though an extension gives you more time to file, the tax is due on the original due date of the return. When you file your income tax return, the extension period expires and any remaining tax due must be paid. You must pay interest on any tax due.

Failure to pay the required amount by the original due date will result in a 2% per month penalty from the original due date to the earlier of the date paid or the extended due date. A 5% per month penalty will also be computed on the tax due from the extended due date to the date of payment if the return is not filed or the remaining taxes are not paid by the extended due date. The maximum penalty is 25%.

QUARTERLY ESTIMATED TAX PAYMENTS

A corporation must make estimated tax payments to the Idaho State Tax Commission if it is required to make federal estimated payments and the Idaho tax liability is estimated to be \$500 or more. Estimated taxes are filed on Form 41ES. The estimated payments are due on the 15th day of the 4th, 6th, 9th, and 12th months of the tax year. For a calendar year filer, this is the 15th of April, June, September, and December.

Estimated taxes are not required for the first year a corporation exists in Idaho. The corporation will be sent the necessary estimated payment forms.

ELECTRONIC FUNDS TRANSFERS

Tax payments of \$100,000 or more must be paid by electronic funds transfer. If you are making an electronic funds transfer for the first time, contact the Tax Commission at (208) 334-7515 for further information.

PAYMENTS

Make your check or money order payable to the Idaho State Tax Commission and attach it to the tax return.

MINIMUM TAX

The minimum tax of \$20 is required for each corporation that transacts business in Idaho, is registered with the Idaho Secretary of State to do business in Idaho, or is exercising its corporate franchise in Idaho. This includes an S corporation. For a unitary group of corporations, the \$20 minimum tax is required for each corporation in the unitary group that is required to file an Idaho income tax return, even though only one Idaho group return is filed.

The \$20 minimum tax is not required to be paid by the following:

- a nonproductive mining corporation
- a corporation not organized for profit that is not required to pay federal tax on unrelated business income (including a homeowners' association)

FRANCHISE TAX

The franchise tax is imposed on a corporation for the privilege of exercising its corporate franchise in Idaho. This includes a corporation in business solely to perform contracts with the U. S. Department of Energy at the Idaho National Engineering

and Environmental Laboratory. The tax is computed at 8% of Idaho taxable income. Corporations are not subject to both the franchise tax and the corporation tax.

TAX DUE FOR NONFILING OFFICERS, DIRECTORS, AND SHAREHOLDERS

An individual shareholder, officer, or director may elect to have the corporation or S corporation pay the tax on his income from that corporation or S corporation. This income includes wages, salaries, and other compensation, and the individual's share of income, loss, or deduction. The corporation or S corporation will be taxed on such income at the corporate rate of 8%. An individual cannot make the election if he meets the Idaho filing requirement and must report other income that is not subject to this election. Permission from the Tax Commission is not required.

If an individual who meets the Idaho filing requirement does not make the election, and does not file his Idaho individual income tax return or does not pay the tax due, the corporation or S corporation will be taxed on the income at the corporate rate.

These provisions apply to a corporation with 50% or more of its income taxable by Idaho and to an S corporation that is transacting business in Idaho.

PERMANENT BUILDING FUND TAX

A corporation required to file an Idaho income tax return must pay the \$10 permanent building fund tax. This includes homeowners' associations, inactive or nameholder corporations, and nonproductive mining corporations that are registered with the Idaho Secretary of State to do business in Idaho. The \$10 permanent building fund tax must be paid by each corporation in the unitary group that is required to file an Idaho income tax return, even though only one Idaho group return is filed.

An S corporation is required to pay the permanent building fund tax for each individual shareholder who meets the Idaho filing requirement but does not report his S corporation income on an Idaho individual return. If all shareholders file Idaho individual income tax returns, the S corporation is not required to pay the permanent building fund tax.

PENALTIES AND INTEREST

Penalties may be imposed on the tax due as follows:

- 5% for negligence or disregard of rules
- 5% per month or fraction of a month to a maximum of 25% for failure to pay the tax due
- 50% for filing a false or fraudulent return
- 10% for substantial understatement of tax

The minimum penalty is \$10.

Interest applies on delinquent tax from the original due date of the return until the tax is paid at the rate of 8% per year (rate effective 1-1-2000 to 12-31-2000).

TAX PREPARER CONTACT BOX

A tax preparer contact box is located directly above the signature box. This box applies only if you paid a tax preparer to complete your return. If you check the box, you are authorizing the Tax Commission to contact your preparer to resolve any questions related to your return.

This authorization is valid for up to 120 days from the date the Tax Commission receives the return. If you want the Tax Commission to contact you rather than your preparer, leave the box blank.

PERIOD/TAX YEAR COVERED BY RETURN

Use the 1999 form to file your tax return for calendar year 1999 or the fiscal year beginning in 1999.

GENERAL INFORMATION

FEDERAL CHECK-THE-BOX REGULATIONS

Idaho follows the federal entity classification (check-the-box) regulations. Therefore, if an entity is classified or taxed as a corporation for federal income tax purposes, it will be treated as a corporation for Idaho income tax purposes.

QUALIFIED SUBCHAPTER S SUBSIDIARIES (QSSS)

Idaho follows the federal election to treat a qualified subsidiary of an S corporation as a QSSS. As a result, the S corporation parent and the subsidiary are treated as one corporation. Income, deductions, and credits of the QSSS are treated as income, deductions, and credits of the parent. Apportionment attributes of the QSSS are also totaled with the parent's apportionment attributes to compute one Idaho apportionment factor.

ACCOUNTING PERIOD

You must use the same accounting period as that used for federal tax purposes. A change to the annual accounting period must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 1128, Application to Adopt, Change, or Retain a Tax Year, to your return.

ACCOUNTING METHODS

You must use the same accounting method as that used for federal tax purposes. A change of accounting method must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 3115, Application for Change in Accounting Method, to your return.

AMENDED RETURNS

If you discover an error on your return after it is filed, do not file the same form again. Use a Form 41X, Amended Business Income Tax Return, to make the necessary corrections. If you amend your federal return, an amended Idaho income tax return must be filed. The statute of limitations for receiving a refund is three years from the due date of the return or the date the return was filed, whichever is later.

FEDERAL AUDIT

If your federal taxable income or tax credits change because of a federal audit, you must send written notice to the Tax Commission within 60 days of the final federal determination. You must include copies of all schedules supplied by the Internal Revenue Service. If you owe additional Idaho tax and do not send written notice within 60 days, a 5% negligence penalty will be imposed. Interest applies on any tax due. If the final federal determination results in an Idaho refund and the statute of limitations is closed, you have one year from the date of the final determination to file for the refund.

NET OPERATING LOSSES

A corporation incurs an Idaho net operating loss in a year when it is transacting business in Idaho and its Idaho taxable income is less than zero. A net operating loss incurred by a corporation during a tax year in which it was not transacting business in Idaho may not be subtracted.

The net operating loss generally must be carried back to the three preceding years. The carryback is limited to a maximum of \$100,000. Any remaining loss may be carried forward until used, but no longer than 15 years.

A corporation can elect to forego the carryback provisions and carry the loss forward up to 15 years. This election must be made before the due date, including extensions, of the loss year return. To make the election, check the box on line 36 of Form 41, indicating the election to forego the carryback period. A federal election will not be accepted for Idaho purposes.

An S corporation is not allowed a deduction for a net operating loss carryback or carryforward. The loss must be passed through to the shareholder to be taken on his individual income tax return.

GENERAL INFORMATION FOR MULTISTATE/MULTINATIONAL TAXPAYERS AND UNITARY GROUPS

The following instructions apply only to corporations that are taxable in Idaho and another state or country (multistate/multinational corporations) or are part of a unitary group of corporations.

ALLOCATION AND APPORTIONMENT OF INCOME

Business Income. Business income includes income from transactions or activity in the regular course of your trade or business. Business income also includes income from tangible or intangible property if the acquisition, management, or disposition of the property is an integral part of your regular trade or business operations. Business income may result even though the income was derived from an occasional or extraordinary transaction. All business income must be apportioned using the apportionment formula.

Nonbusiness Income. Nonbusiness income is all income other than business income and must be allocated, not apportioned. Allocation is the assignment of nonbusiness income to a specific state.

Apportionment Formula. The apportionment formula consists of three factors: property, payroll, and sales. These percentages are averaged to arrive at the Idaho apportionment factor. For most taxpayers, the sales factor is double weighted.

Electrical and telephone utilities must use a single-weighted sales factor. See the instructions for Schedule 42.

EXCEPTIONS TO APPORTIONMENT FORMULA

If the allocation and apportionment provisions do not fairly represent your business activity in Idaho, one of the following exceptions may be used:

Separate Accounting. Separate accounting means allocating income and related expenses to the state where the activity occurred. Separate accounting may be used only with prior approval from the Tax Commission. You must submit a written request at least 30 days prior to the due date for filing the return, not including extensions. Mail your request to:

INCOME TAX POLICY
IDAHO STATE TAX COMMISSION
PO BOX 36
BOISE ID 83722-0036

Exclusion Of A Factor. If any of the factors (property, payroll, or sales) do not apply to your business, use the remaining factors to compute the Idaho apportionment factor. To determine the average percentage, divide only by the number of factors used.

Tax On Gross Sales/Alternative Tax. A corporation that neither owns nor rents Idaho property nor incurs Idaho payroll may elect to pay tax to Idaho at the rate of 1% of gross sales if its Idaho sales are \$100,000 or less.

MODIFIED FACTORS FOR CERTAIN INDUSTRIES

The following businesses must use special rules in computing the apportionment factors:

- Airlines
- Carriers of Freight or Passengers
- Construction Contractors
- Television and Radio Broadcasters
- Publishers
- Financial Institutions

See the instructions for Schedule 42.

GENERAL INFORMATION

UNITARY BUSINESS

A multistate business is unitary when the operations conducted in Idaho are integrated with, depend on, or contribute to, the business outside Idaho. Some of the tests used to determine if a business is unitary include the following:

- The three unities test. The three elements of a unitary business include:
 1. unity of ownership;
 2. unity of operation as evidenced by central divisions for functions such as purchasing, advertising, accounting and management; and
 3. unity of use in its centralized executive force and centralized system of operations.
- The contribution or dependency test. The operation of the portion of the business done in the state depends on or contributes to the operation of the overall business.

If unity of ownership exists, the presence of any of the following factors creates a strong presumption that the activities of the taxpayer constitute a unitary business:

1. All activities of the group are in the same general line or type of business.
2. The activities of the group constitute different steps in a vertically structured enterprise.
3. The group is characterized by centralized management.

COMBINED REPORTING METHOD

The combined report should not be confused with a federal consolidated return. A combined report refers to the method used to compute the amount of business income to be reported to Idaho by each member of a unitary group and not whether the unitary group files a group return or several returns. This method uses the apportionment factor to measure the economic activities of the taxpayer in a state. Use of the combined report does not disregard the separate corporate identities of the members of the unitary group.

The combined report may be reflected on one group return filed by the unitary group or on two or more returns, one for each member which has an Idaho filing requirement. If a group return is filed for the unitary group, the following information must be disclosed for each corporation which has an Idaho income tax filing requirement:

- Idaho property, payroll, and sales amounts;
- Idaho tax computation;
- Idaho net operating loss calculation; and
- Idaho tax credits and limitations.

The combined reporting method is required if two or more corporations are engaged in a unitary business, and more than 50% of the voting stock is owned directly or indirectly by a common owner or owners. For more information, call (800) 972-7660 to order the Guide to Combined Reporting.

A change from the use of the combined reporting method is allowed only with prior consent from the Tax Commission. You must submit a written request at least 30 days prior to the due date of the return, not including extensions. Mail your request to:

INCOME TAX POLICY
IDAHO STATE TAX COMMISSION
PO BOX 36
BOISE ID 83722-0036

An S corporation cannot use the combined reporting method.

WORLDWIDE FILING

If a taxpayer is part of a unitary group, the combined report must include the income or loss and apportionment factor attributes of all unitary affiliates with more than 50% common ownership. This includes corporations incorporated outside the United States.

WATER'S EDGE ELECTION

The water's edge election is only applicable to a unitary business that has ownership in at least one foreign affiliate. The business may elect to exclude the foreign affiliate from the combined return and be taxed only on a percentage of any dividends paid from the foreign affiliate.

Only the income and apportionment factors of unitary corporations filing a federal income tax return or included in a federal consolidated return are taken into account in determining Idaho taxable income. Corporations that file elections under IRC Section 936, Puerto Rico and Possession Tax Credit, are not taken into account in determining Idaho taxable income.

The water's edge election must be made on the return as originally filed. The election cannot be made on an amended return. If a taxpayer wishes to change from the water's edge method to the worldwide filing method, permission must be requested from the Idaho State Tax Commission.

The domestic disclosure spreadsheet must be filed within six months after filing the Form 41. A unitary business may elect to forego the filing of the spreadsheet; however, the 85% exclusion of dividends from foreign corporations and from IRC Section 936 corporations must be reduced to 80%. The election to forego filing the spreadsheet is a yearly decision made by checking the "Yes" box on line 10b, Form 41.

To request the Idaho Water's Edge Election and Consent Form, and the domestic disclosure spreadsheet and instructions, call (208) 334-7573 or send your request to:

INCOME TAX AUDIT
IDAHO STATE TAX COMMISSION
PO BOX 36
BOISE ID 83722-0036

An S corporation cannot make a water's edge election.

MULTISTATE CORPORATE MEMBERS OF PARTNERSHIPS

If a corporation required to file an Idaho income tax return is a member of an operating partnership or joint venture, the corporation must apportion its share of the partnership's business income or loss along with all other net business income or loss of the corporation. The corporation's share of the partnership's property, payroll and sales is determined in the same proportion as the partnership's income is distributed and must be included in the corporation's apportionment computation.

NET OPERATING LOSSES

Each affiliated corporation included in a unitary group return must compute its own share of the combined net operating loss apportioned to Idaho and apply its loss to its apportioned income.

The provisions of IRC Sections 381, Carryovers In Certain Corporate Acquisitions, and 382, Limitation On Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Changes, apply in computing the Idaho net operating loss. The IRC Section 382 loss limitation is limited by the pre-merger loss corporation's Idaho apportionment factor for the last tax year before the merger.

FORM 41 SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.
General information instructions beginning on page 1 also apply to this form.

HEADING

File the 1999 return for calendar year 1999 or a fiscal year that begins in 1999. For a fiscal year, fill in the tax year space at the top of the form.

If you received a preaddressed label that is in error, correct the label and place it over the name and address area of the return. If you did not receive a preaddressed label, type or print the business/company name, address, and federal employer identification number in the space provided.

QUESTIONS 1-11

Mark the appropriate box and provide the requested information. Each question must be answered or the return will be considered incomplete. Incomplete returns will cause processing delays.

Question 1 NAME CHANGE

If the corporation changed its name since it last filed, check the "Yes" box and enter the name the way it appeared on the last return filed.

Question 2 FEDERAL AUDIT

If a federal audit was finalized during the tax year, enter the most recent tax year covered in the audit.

Question 3 INACTIVE OR NAMEHOLDER CORPORATIONS

A corporation that is authorized to transact business in Idaho but has no business activity and no income attributable to Idaho would check the "Yes" box.

Question 4 QUARTERLY ESTIMATED PAYMENTS

- Check the "No" box if the corporation was not required to make federal quarterly estimated payments in 1999.
- Check the "Yes" box if your quarterly estimated payments were based on annualized amounts.

Question 5 FINAL RETURN

If this is the corporation's final return for Idaho, check the box that explains the reason and enter the date the event occurred. Enter the new federal employer identification number (EIN) if the corporation has merged or reorganized.

Question 6 NEXT YEAR'S FORMS

If the corporation does not need income tax forms mailed to it next year, check the "No" box.

Question 7 EXTENDED FEDERAL DUE DATE FOR SHORT PERIOD RETURN

If this is a short period return and the corporation has an extended federal due date, enter the federal due date on this line.

Question 8 ELECTRICAL OR TELEPHONE UTILITY

If this return is for an electrical or telephone utility, check the "Yes" box. Electrical and telephone utilities apportion business income using a different apportionment factor calculation.

Question 9 COMBINED REPORTING INFORMATION

Check the "Yes" box if this return is prepared using the combined reporting method. Even if you checked the "No" box, answer questions a. through c.

- If the corporation filing this return owns more than 50% of another corporation, check the "Yes" box.
- If another corporation owns more than 50% of the corporation filing this return, check the "Yes" box.
- If the same interest owns more than 50% of the corporation filing this return and another corporation, check the "Yes" box.

- Check the "Yes" box if this is a combined report and two or more corporations included in the report are authorized to transact business in Idaho or are transacting business in Idaho.

Question 10 MULTINATIONAL TAXPAYER

- If the corporation filing this return is a multinational taxpayer, indicate whether the return is prepared on a worldwide or water's edge method.
- If this return is filed by a multinational taxpayer using the water's edge method, you may elect to forego filing the domestic disclosure spreadsheet by checking the "Yes" box.

Question 11 COMPUTING FOREIGN INCOME

Check the "Yes" box if the income of foreign subsidiaries is computed by conforming their profit and loss statements to tax accounting standards that would be required by the Internal Revenue Service if the foreign subsidiaries were required to file federal income tax returns. All book to tax adjustments must be made for all foreign subsidiaries if this method is used.

ADDITIONS

LINE 12 FEDERAL TAXABLE INCOME

Enter the taxable income from federal Form 1120, line 30 or federal Form 1120-A, line 26.

Unitary groups having only domestic affiliates (not using Part II, Schedule 42) should make the following adjustments to the federal consolidated taxable income:

- include the amount of federal taxable income of unitary affiliates commonly owned more than 50% that were not included in the federal consolidated return.
- exclude the amount of federal taxable income of affiliates included in the federal consolidated return that were not unitary.

Both amounts should be adjusted for intercompany transactions.

Unitary groups with foreign affiliates will make these adjustments on Schedule 42.

LINE 13 INTEREST AND DIVIDENDS NOT TAXABLE UNDER INTERNAL REVENUE CODE

Enter the interest and dividends net of applicable amortization received or accrued from obligations of any state or political subdivision excluded from federal taxable income under the provisions of the IRC. Attach a schedule.

LINE 14 STATE, MUNICIPAL OR LOCAL TAXES

Enter the total of all state, municipal and local taxes measured by net income that have been paid or accrued during the tax year less any refunds which have been included in federal taxable income. Attach a schedule of all taxes deducted on the federal return.

LINE 16 DIVIDENDS RECEIVED DEDUCTION

Enter the special deduction for dividends deducted from federal income as allowed by IRC Sections 243(a) and (c), 244, 245 and 246A.

LINE 17 OTHER ADDITIONS

Enter any miscellaneous Idaho additions. If you are a multinational taxpayer, include the total additions from Schedule 42, Part II, line 8. Attach a schedule identifying each miscellaneous addition.

FORM 41

SUBTRACTIONS

LINE 19 FOREIGN DIVIDEND GROSS-UP

Enter the foreign dividend gross-up, as provided by IRC Section 78, included in federal taxable income.

LINE 20 INTEREST FROM IDAHO MUNICIPAL SECURITIES

Enter interest received from securities issued by the state of Idaho and its political subdivisions, if included on line 13.

LINE 21 INTEREST ON U.S. GOVERNMENT OBLIGATIONS

Interest income you received from obligations of the U.S. Government is not subject to the Idaho tax. Deduct any U.S. Government interest included in federal taxable income, line 12. Examples of obligations of the U.S. Government include but are not limited to:

- Banks for Cooperatives
- Federal Farm Credit Banks
- Federal Financing Bank
- Federal Homeowners Loan Bank
- Federal Intermediate Credit Bank
- Federal Land Bank
- Guam
- Puerto Rico
- Student Loan Marketing Association
- Tennessee Valley Authority Bonds
- Territory of Alaska
- Territory of Hawaii
- Territory of Samoa
- U.S. Series EE and HH Bonds
- U.S. Treasury Bills and Notes
- Virgin Islands

Interest income received from the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) is not paid by the U.S. Government and is subject to Idaho income tax.

LINE 22 INTEREST EXPENSE OFFSET

Enter the amount from line 5 of the following computation. This is the interest expense offset.

- 1a. Interest expense. Total interest expense deducted in determining federal taxable income. _____
- b. Interest expense disallowed under IRC Sections 265 and 291 _____
- c. Interest expense from a pass-through entity _____
- d. Interest expense of foreign corporations included in the combined report _____
- e. Subtotal. Add lines a through d. _____
- f. Interest expense of corporations included in the consolidated federal return but not part of the combined report filed with Idaho. _____
- g. Total interest expense. Subtract line f from line e. _____
2. Total tax-exempt income (interest on qualifying obligations of the United States and interest on qualifying obligations of the state of Idaho, its cities, and political subdivisions) _____
3. Total income (amount reported on the federal return(s), total income from Sch. C, Form 5471, and partnership total income and distributive amounts) _____
4. Divide line 2 by line 3. %
5. Multiply line 1g by line 4. _____

LINE 24 TECHNOLOGICAL EQUIPMENT DONATION

Enter the fair market value of technological equipment donated to a public elementary or secondary school, public or private college or university, public library, or library district located in

Idaho. Items that qualify for this deduction are limited to computers, computer software, and scientific equipment or apparatus manufactured within five years of the date of donation. The amount deducted may not reduce Idaho taxable income to less than zero. Any unused deduction cannot be carried to another year.

LINE 25 ALLOCATED INCOME

Enter the amount of nonbusiness income. A schedule detailing the source of income and explaining why the income was classified as nonbusiness must be attached.

LINE 26 NONBUSINESS EXPENSE OFFSET

Enter the amount of expenses included in federal taxable income that is related to the production of allocated nonbusiness income listed on line 25. Related expenses include, but are not limited to, interest on indebtedness incurred or continued to purchase or carry the assets which produce the nonbusiness interest and dividend income.

LINE 28 OTHER SUBTRACTIONS

Enter any miscellaneous Idaho deductions. Multinational taxpayers include the total deductions from Schedule 42, Part II, line 14. Attach a schedule identifying each miscellaneous deduction.

LINE 32 APPORTIONMENT FACTOR

If all the activity is in Idaho, enter 100%. If the corporation has multistate/multinational operations, enter the apportionment factor from Schedule 42, Part I, line 21. Attach Schedule 42.

LINE 34 INCOME ALLOCATED TO IDAHO

Enter the amount of nonbusiness income allocated to Idaho less the interest offset computed on line 26 which applies to this income. A schedule detailing the source of income allocated to Idaho must be attached.

LINE 35 IDAHO NET OPERATING LOSS CARRYOVER

Enter the Idaho net operating loss carryover. Attach a schedule detailing the computation of the loss and any prior loss application.

LINE 36 IDAHO TAXABLE INCOME AND ELECTION TO FOREGO NOL CARRYBACK

Enter the Idaho taxable income.

Check the box on line 36 if the corporation elects under Section 63-3022(d), Idaho Code, to forego the carryback period for a net operating loss (NOL). If you check this box, you do not need to attach a separate statement electing to forego the carryback period. The federal election will not be accepted for Idaho purposes.

TAXES

LINE 37 IDAHO INCOME TAX

Enter the amount of Idaho income tax computed at 8% of Idaho taxable income. The amount must be a minimum of \$20. Non-productive mining corporations and not for profit corporations with no unrelated business income are not subject to the \$20 minimum tax. Each corporation included in a group return and required to file is subject to the \$20 minimum tax.

If a multistate corporation's only activity in Idaho consists of sales that do not exceed \$100,000, the corporation may elect to pay tax at the rate of 1% of gross sales. Show the computation on line 37.

For corporations required to pay a franchise tax rather than an income tax, enter the amount of the franchise tax on this line. This tax is also computed at 8% of Idaho taxable income. See franchise tax on page 2.

FORM 41

CREDITS

LINE 38 CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES

If the corporation donated cash or goods to a qualified educational entity, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 10% of the tax on line 37, or
- \$500

A qualified educational entity includes:

- a nonprofit corporation, fund, foundation, research park, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- a nonprofit, private or public Idaho school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- the Idaho State Historical Society or its foundation
- an Idaho public library or its foundation
- an Idaho library district or its foundation
- an Idaho public or private nonprofit museum
- the Idaho State Library

LINE 39 INVESTMENT TAX CREDIT

If you acquire an asset for use in your business, you may have earned an investment tax credit.

If you are filing a combined return, the investment tax credit can be shared with members of the combined group. The corporation that earned the credit must claim the credit to the extent allowable against its tax liability. Any credit remaining may be shared with other members rather than carried forward to future years. A corporation that receives the credit through unitary sharing computes the applicable limitations based on its tax. Any unused credit remains with the member that earned the credit. A schedule must be attached identifying the member earning the credit and the members using the credit.

Report the earned credit computed on line 2, Part I, Form 49, and the allowed credit computed on line 10, Part II, Form 49. Attach Form 49.

LINE 40 CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES

If the corporation donated cash or goods to a qualified center for independent living, or to a youth or rehabilitation facility or their foundations, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 10% of the tax on line 37, or
- \$500

The qualified youth or rehabilitation facilities and their foundations are:

- Anchor House
- The Arc, Inc., Boise
- The Children's Home Society of Idaho, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- Easter Seals/Goodwill Industries, Pocatello
- High Reachers, Inc., Mountain Home
- Hope House, Inc., Nampa

- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

The following are the qualified centers for independent living:

- Disability Action Center Northwest, Moscow and Coeur d'Alene
- Living Independence Network Corporation, Boise and Twin Falls
- Living Independently For Everyone, Blackfoot, Idaho Falls, and Pocatello

LINE 41 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If you purchased equipment that manufactures a product from post-consumer or post-industrial waste, you may be entitled to a tax credit. The credit is 20% of your cost to purchase qualified equipment.

Qualified equipment is machinery or equipment in Idaho with a useful life of three years or more. In addition, 90% of the equipment's production must result in products utilizing post-consumer or post-industrial waste.

The credit claimed in a tax year is limited to the lesser of \$30,000 or your tax liability. You may carry forward the unused portion of the credit up to seven years.

Product is any manufactured material that is composed of at least 50% post-consumer or post-industrial waste and offered for sale. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Post-consumer waste or post-industrial waste includes only glass, paper, or plastic that have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Attach a schedule showing your computations, listing the qualified equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

LINE 42 NATURAL RESOURCES CONSERVATION CREDIT

If you filed an Application for Natural Resources Conservation Income Tax Credit for Tax Year 1999, enter the amount approved on that application by the Natural Resources Conservation Income Tax Credit Committee. The maximum tax credit allowed cannot exceed \$2,000. You may not claim a credit if you did not file an application or if the credit you requested was not approved.

LINE 43 PROMOTER-SPONSORED EVENT CREDIT

If you issued temporary sales tax permits to participants of a promoter-sponsored event on behalf of the Tax Commission, you may claim a \$1 credit for each temporary permit issued during the tax year. Promoter-sponsored events include swap meets, flea markets, gun shows, and fairs. You must have filed Form ST-124 with the Tax Commission to qualify for the credit.

FORM 41

OTHER TAXES

LINE 46 PERMANENT BUILDING FUND TAX

Enter \$10 for each corporation required to file, including nonproductive mining corporations. Each corporation included in a group return and required to file must pay the \$10 permanent building fund tax.

LINE 47 SPECIAL FUELS TAX DUE

If you buy special fuels (diesel, propane, natural gas) without paying the special fuels tax and later use this fuel in licensed vehicles or in aircraft, special fuels tax is due. Enter the amount from line 11, Form 75. Attach Form 75.

LINE 48 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of its estimated useful life, you must recompute the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured. Attach Form 49R.

LINE 49 TAX ON IDAHO COMPENSATION

If the apportionment factor on line 32 is 50% or more, an individual officer, director, or shareholder may elect to have the corporation report and pay tax on his wages, salaries and other compensation from the corporation that are reportable to Idaho. The election cannot be made if the individual has other Idaho income to report. Compute the tax by multiplying 8% by the wages, salaries, and other compensation reportable to Idaho that have been elected to be taxed by the corporation.

LINE 51 UNDERPAYMENT INTEREST

Use Part I, Form 41ESR, Underpayment of Estimated Tax by Corporations, to determine if there is an underpayment of any quarterly estimated payments. Enter the amount of underpayment interest from Part II, Form 41ESR. Attach Form 41ESR.

PAYMENTS AND OTHER CREDITS

LINE 53 ESTIMATED TAX PAYMENTS

Enter the total amount of estimated tax payments made for the tax year 1999 on the following forms:

- Forms 41ES, Payment of Estimated Idaho Business Income Tax;
- Form 41EXT, Extension of Time Payment-Idaho Business Income Tax; and
- the amount applied from your 1998 return.

LINE 54 SPECIAL FUELS TAX REFUND

The special fuels (diesel, propane, natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from line 5, Form 75. Attach Form 75.

LINE 55 GASOLINE TAX REFUND

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from line 4, Form 75. Attach Form 75.

REFUND OR PAYMENT DUE

LINE 58 PENALTY AND INTEREST

Penalty: If the corporation files a return after the due date or fails to pay the required amount by the due date, a penalty may be due. To avoid paying any penalty, the corporation must:

- pay by the original due date at least 80% of the tax due on the return or 100% of the total tax reported last year, and
- file the return and pay the tax due by the extended due date.

If the corporation pays at least 80% of the tax due on the return or 100% of the total tax reported last year by the original due date, but fails to file the return or pay the remaining tax by the extended due date:

- a 5% per month penalty, up to a maximum of 25%, will be computed on tax due from the extended due date to the date of payment.

If the corporation does not pay at least 80% of the tax due on the return or 100% of the total tax reported last year by the original due date:

- a 2% penalty per month will be computed on tax due from the original due date to the earlier of the payment date or extended due date, and
- a 5% penalty per month, up to a maximum penalty of 25%, will be computed on tax due from the extended due date to the date of payment.

Interest: Interest is charged on the amount of tax due, line 57, from the due date until paid. The rate for 2000 is 8%.

LINE 61 REFUND

You have the option of receiving all or a portion of the overpayment listed on line 60 as a refund, or applying all or a portion of the overpayment to your 2000 estimated tax. Enter the amount you wish to receive as a refund on this line. If you enter the total amount from line 60, you must enter zero on line 62.

LINE 62 ESTIMATED TAX

You have the option of applying all or a portion of the overpayment listed on line 60 as a credit against your 2000 estimated tax. The amount you list on this line plus the amount on line 61 must equal the overpayment listed on line 60. If you listed the total overpayment as the amount you want refunded to you on line 61, you must enter zero on this line.

FORM 41S SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.
General information instructions beginning on page 1 also apply to this form.

The S corporation must provide a schedule to each shareholder which shows all Idaho income, deductions, apportionment factors, tax credits and tax credit recapture that is reportable by the shareholder. A copy of this schedule and the federal Schedule K-1, Form 1120S must be attached to the Idaho Form 41S and be furnished to each shareholder.

HEADING

File the 1999 return for calendar year 1999 or a fiscal year that begins in 1999. For a fiscal year, fill in the tax year space at the top of the form.

If you received a preaddressed label that is in error, correct the label and place it over the name and address area of the return. If you did not receive a preaddressed label, type or print the business/company name, address, and federal employer identification number in the space provided.

QUESTIONS 1-10

Mark the appropriate box and provide the requested information. Each question must be answered or the return will be considered incomplete. Incomplete returns will cause processing delays.

Question 1 NAME CHANGE

If the corporation changed its name since it last filed, check the "Yes" box and enter the name the way it appeared on the last return filed.

Question 2 FEDERAL AUDIT

If a federal audit was finalized during the tax year, enter the most recent tax year covered in the audit.

Question 3 INACTIVE OR NAMEHOLDER CORPORATIONS

A corporation that is authorized to transact business in Idaho but has no business activity and no income attributable to Idaho would check the "Yes" box.

Question 4 QUARTERLY ESTIMATED PAYMENTS

- Check the "No" box if the corporation was not required to make federal quarterly estimated payments in 1999.
- Check the "Yes" box if your quarterly estimated payments were based on annualized amounts.

Question 5 FINAL RETURN

If this is the corporation's final return for Idaho, check the box that explains the reason and enter the date the event occurred. Enter the new federal employer identification number (EIN) if the corporation has been merged or reorganized.

Question 6 NEXT YEAR'S FORMS

If the corporation does not need income tax forms mailed to it next year, check the "No" box.

Question 7 ELECTRICAL OR TELEPHONE UTILITY

If this return is for an electrical or telephone utility, check the "Yes" box. Electrical and telephone utilities apportion business income using a different apportionment factor calculation.

Question 8 OWNERSHIP CHANGE

Check the "Yes" box if a shareholder terminated his interest in the corporation or if a new shareholder acquired an interest in the corporation.

Question 9 IDAHO INVESTMENT TAX CREDIT

Enter the amount shown on line 2, Part I, Form 49. This is the Idaho investment tax credit the corporation earned and passed through to the shareholders.

Question 10 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

Enter the amount shown on line 13, Part III, Form 49R. This is the amount of recapture of Idaho investment tax credit the corporation passed through to the shareholders.

INCOME

LINE 14 PORTFOLIO INCOME

Enter your net portfolio income or loss from Form 1120S, Schedule K, lines 4a through 4f.

LINE 15 OTHER INCOME

Enter your other income from Form 1120S, Schedule K, lines 5 and 6.

LINE 16 DEDUCTIONS

Enter your deductions from Form 1120S, Schedule K, lines 7 through 10 plus the lesser of line 11a or 11b(1) less 11b(2).

IDAHO ADDITIONS

LINE 18 INTEREST AND DIVIDENDS NOT TAXABLE UNDER INTERNAL REVENUE CODE

Enter the interest and dividends net of applicable amortization received or accrued from obligations of any state or political subdivision excluded from federal income under the provisions of the IRC. Attach a schedule.

LINE 19 STATE, MUNICIPAL OR LOCAL TAXES

Enter the total of all state, municipal and local taxes measured by net income which have been paid or accrued during the tax year less any refunds which have been included in federal income. Attach a schedule of all taxes deducted on the federal return.

LINE 20 OTHER ADDITIONS

Enter any miscellaneous Idaho additions. Attach a schedule identifying each miscellaneous addition.

IDAHO SUBTRACTIONS

LINE 22 INTEREST FROM IDAHO MUNICIPAL SECURITIES

Enter interest received from securities issued by the state of Idaho and its political subdivisions, if included on line 18.

LINE 23 INTEREST ON U.S. GOVERNMENT OBLIGATIONS

Interest income you received from obligations of the U.S. Government is not subject to the Idaho tax. Deduct any U.S. Government interest included in federal income. Examples of obligations of the U.S. Government include but are not limited to:

- Banks for Cooperatives
- Federal Farm Credit Banks
- Federal Financing Bank
- Federal Homeowners Loan Bank
- Federal Intermediate Credit Bank
- Federal Land Bank
- Guam
- Puerto Rico
- Student Loan Marketing Association
- Tennessee Valley Authority Bonds
- Territory of Alaska
- Territory of Hawaii
- Territory of Samoa
- U.S. Series EE and HH Bonds
- U.S. Treasury Bills and Notes
- Virgin Islands

Interest income received from the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) is not paid by the U.S. Government and is subject to Idaho income tax.

FORM 41S

LINE 24 INTEREST EXPENSE OFFSET

Enter the amount from line 5 of the following computation. This is the interest expense offset.

- 1a. Interest expense. Total interest expense deducted in determining federal income.
- b. Interest expense disallowed under IRC Sections 265 and 291
- c. Interest expense from a pass-through entity
- d. Total interest expense. Add lines a through c.
2. Total tax-exempt income (interest on qualifying obligations of the United States and interest on qualifying obligations of the state of Idaho, its cities, and political subdivisions)
3. Total income (amount reported on the federal return(s) and total income from pass-through entities)
4. Divide line 2 by line 3. %
5. Multiply line 1d by line 4.

LINE 26 TECHNOLOGICAL EQUIPMENT DONATION

Enter the fair market value of technological equipment donated to a public elementary or secondary school, public or private college or university, public library, or library district located in Idaho. Items that qualify for this deduction are limited to computers, computer software, and scientific equipment or apparatus manufactured within five years of the date of donation. The amount deducted may not reduce Idaho taxable income to less than zero. Any unused deduction cannot be carried to another year.

LINE 27 ALLOCATED INCOME

Enter the amount of nonbusiness income. A schedule detailing the source of income and explaining why the income was classified as nonbusiness must be attached.

LINE 28 NONBUSINESS EXPENSE OFFSET

Enter the amount of expenses included in federal income that is related to the production of allocated nonbusiness income listed on line 27. Related expenses include, but are not limited to, interest on indebtedness incurred or continued to purchase or carry the assets that produce the nonbusiness interest and dividend income.

LINE 33 APPORTIONMENT FACTOR

If all the activity is in Idaho, enter 100%. If the S corporation has multistate/multinational operations, enter the apportionment factor from Schedule 42, Part I, line 21. Attach Schedule 42.

LINE 35 INCOME ALLOCATED TO IDAHO

Enter the amount of nonbusiness income allocated to Idaho less the interest offset computed on line 28 which applies to this income. A schedule detailing the source of income allocated to Idaho must be attached.

LINE 36 COMPENSATION OF SHAREHOLDERS

Add the wages, salaries, and other compensation reportable to Idaho of individual shareholders, officers, and directors who elect to have the S corporation pay the tax on this income. The election cannot be made if the shareholder, officer, or director has other Idaho income to report.

LINE 37 INCOME REPORTED ON SHAREHOLDERS' RETURNS

Determine the amounts from lines 34 and 35 that are reported by the shareholders on their Idaho income tax returns. Do not enter amounts attributable to individual shareholders who have no other income reportable to Idaho and elect to report S corporation income on the S corporation return.

CREDITS

Credits earned by the S corporation are passed through to each shareholder based on that shareholder's pro rata share of S corporation income or loss. When an S corporation has a fiscal

year end other than that of the shareholder, the credit passes through in the same period that the S corporation income or loss is required to be reported by the shareholder for federal tax purposes.

The S corporation must prepare and distribute to each shareholder a schedule that shows all Idaho income and deductions that must be reported on the shareholder's Idaho income tax return. The schedule must also include the shareholder's pro rata share of amounts that are eligible for tax credits. Each shareholder uses this credit information to determine the amount of Idaho credit, credit recapture and credit carryover to be reported on the Idaho income tax return. Credits reported by each shareholder are subject to the limitations applicable to that shareholder. Copies of these schedules must be attached to the Idaho S Corporation Income Tax Return for the year in which the credit is earned. Credit information reported on the schedule should include the following:

- Donations to a qualified educational entity
- Qualified investment eligible for the investment tax credit
- Donations to a qualified center for independent living, or to a youth or rehabilitation facility or their foundations
- Costs of qualifying equipment eligible for the credit for production equipment using post-consumer waste
- Amount approved for the natural resources conservation credit
- Amount of promoter-sponsored event credit

If an individual shareholder elects to have his share of the income taxed on the S corporation's return, the tax may be offset by the credit allowed to that shareholder. Credits applied to this tax are computed based on the credit limitations applicable to corporations. For example, if an S corporation pays the tax for three individual shareholders, the amount of credit for contributions to educational institutions is the lesser of the following amounts:

- 50% of the three shareholders' share of the amount donated
- 10% of the tax computed for the three shareholders, or
- \$500

LINE 40 CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES

If the S corporation donated cash or goods to a qualified educational entity, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 10% of the tax on line 39, or
- \$500

A qualified educational entity includes:

- a nonprofit corporation, fund, foundation, research park, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- a nonprofit, private or public Idaho school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- the Idaho State Historical Society or its foundation
- an Idaho public library or its foundation
- an Idaho library district or its foundation
- an Idaho public or private nonprofit museum
- the Idaho State Library

LINE 41 IDAHO INVESTMENT TAX CREDIT

If you acquire an asset for use in your business, you may have earned an investment tax credit.

Report the allowed credit computed on line 10, Part II, Form 49. Attach Form 49.

FORM 41S

LINE 42 CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES

If the S corporation donated cash or goods to a qualified center for independent living, or to a youth or rehabilitation facility or their foundations, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 10% of the tax on line 39, or
- \$500

The qualified youth or rehabilitation facilities and their foundations are:

- Anchor House
- The Arc, Inc., Boise
- The Children's Home Society of Idaho, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- Easter Seals/Goodwill Industries, Pocatello
- High Reachers, Inc., Mountain Home
- Hope House, Inc., Nampa
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

The following are the qualified centers for independent living:

- Disability Action Center Northwest, Moscow and Coeur d'Alene
- Living Independence Network Corporation, Boise and Twin Falls
- Living Independently For Everyone, Blackfoot, Idaho Falls, and Pocatello

LINE 43 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If you purchased equipment that manufactures a product from post-consumer or post-industrial waste, you may be entitled to a tax credit. The credit is 20% of your cost to purchase qualified equipment.

Qualified equipment is machinery or equipment in Idaho with a useful life of three years or more. In addition, 90% of the equipment's production must result in products utilizing post-consumer or post-industrial waste.

The credit claimed in a tax year is limited to the lesser of \$30,000 or your tax liability. You may carry forward the unused portion of the credit up to seven years.

Product is any manufactured material that is composed of at least 50% post-consumer or post-industrial waste and offered for sale. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Post-consumer waste or post-industrial waste includes only glass, paper, or plastic that have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Attach a schedule showing your computations, listing the qualified equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

LINE 44 NATURAL RESOURCES CONSERVATION CREDIT

If you filed an Application for Natural Resources Conservation Income Tax Credit for Tax Year 1999, enter the amount approved on that application by the Natural Resources Conservation Income Tax Credit Committee. The maximum tax credit allowed cannot exceed \$2,000. You may not claim a credit if you did not file an application or if the credit you requested was not approved.

LINE 45 PROMOTER-SPONSORED EVENT CREDIT

If you issued temporary sales tax permits to participants of a promoter-sponsored event on behalf of the Tax Commission, you may claim a \$1 credit for each temporary permit issued during the tax year. Promoter-sponsored events include swap meets, flea markets, gun shows, and fairs. You must have filed Form ST-124 with the Tax Commission to qualify for the credit.

OTHER TAXES

LINE 48 MINIMUM TAX

A minimum tax of \$20 is required. If the S corporation owes federal tax on excess net passive income, capital gains, or built-in gains, compute the Idaho tax using the following instructions:

- The Idaho tax on excess net passive income is computed by multiplying 8% by the lesser of Idaho apportioned excess net passive income or Idaho apportioned taxable income. See federal Form 1120S instructions. Attach a copy of the computations.
- The Idaho tax on capital gains or built-in gains is computed by multiplying 8% by the Idaho apportioned net capital gain or Idaho apportioned net recognized built-in gain. See federal Form 1120S, Schedule D instructions. Attach a copy of the computations.
- If the corporation was previously a C corporation with investment tax credit carryover, the credit may be used to offset up to 45% of the tax.

If the total tax computed is more than \$20, draw a line through the 20 printed on the form. Enter the total Idaho tax on excess net passive income, capital gains, and built-in gains less applicable investment tax credit carryover on line 48. The total tax before investment tax credit cannot be less than \$20.

LINE 49 PERMANENT BUILDING FUND TAX

S corporations that report taxable income on line 38 are required to pay the \$10 permanent building fund tax for each individual shareholder who is required to file, but does not file, an Idaho individual income tax return. A nonresident individual shareholder is required to file if his share of the S corporation's Idaho gross income is more than \$2,500.

LINE 50 SPECIAL FUELS TAX DUE

If you buy special fuels (diesel, propane, natural gas) without paying the special fuels tax and later use this fuel in licensed vehicles or in aircraft, special fuels tax is due. Enter the amount from line 11, Form 75. Attach Form 75.

LINE 51 RECAPTURE OF INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of its estimated useful life, you must recompute the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured. Attach Form 49R.

LINE 53 UNDERPAYMENT INTEREST

Use Part I, Form 41ESR, Underpayment of Estimated Tax by Corporations, to determine if there is an underpayment of any quarterly estimated payments. Enter the amount of underpayment interest from Part II, Form 41ESR. Attach Form 41ESR.

FORM 41S

PAYMENTS AND OTHER CREDITS

LINE 55 ESTIMATED TAX PAYMENTS

Enter the total amount of estimated tax payments made for the tax year 1999 on the following forms:

- Forms 41ES, Payment of Estimated Idaho Business Income Tax;
- Form 41EXT, Extension of Time Payment-Idaho Business Income Tax; and
- the amount applied from your 1998 return.

LINE 56 SPECIAL FUELS TAX REFUND

The special fuels (diesel, propane, natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from line 5, Form 75. Attach Form 75.

LINE 57 GASOLINE TAX REFUND

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from line 4, Form 75. Attach Form 75.

REFUND OR PAYMENT DUE

LINE 60 PENALTY AND INTEREST

Penalty: If the S corporation files a return after the due date or fails to pay the required amount by the due date, a penalty may be due. To avoid paying any penalty, the S corporation must:

- pay by the original due date at least 80% of the tax due on the return or 100% of the total tax reported last year, and
- file the return and pay the tax due by the extended due date.

If the S corporation pays at least 80% of the tax due on the return or 100% of the total tax reported last year by the original

due date, but fails to file the return or pay the remaining tax by the extended due date:

- a 5% per month penalty, up to a maximum of 25%, will be computed on tax due from the extended due date to the date of payment.

If the S corporation does not pay at least 80% of the tax due on the return or 100% of the total tax reported last year by the original due date:

- a 2% penalty per month will be computed on tax due from the original due date to the earlier of the payment date or extended due date, and
- a 5% penalty per month, up to a maximum penalty of 25%, will be computed on tax due from the extended due date to the date of payment.

Interest: Interest is charged on the amount of tax due, line 59, from the original due date until paid. The rate for 2000 is 8%.

LINE 63 REFUND

You have the option of receiving all or a portion of the overpayment listed on line 62 as a refund, or applying all or a portion of the overpayment to your 2000 estimated tax. Enter the amount you wish to receive as a refund on this line. If you enter the total amount from line 62, you must enter zero on line 64.

LINE 64 ESTIMATED TAX

You have the option of applying all or a portion of the overpayment listed on line 62 as a credit against your 2000 estimated tax. The amount you list on this line plus the amount on line 63 must equal the overpayment listed on line 62. If you listed the total overpayment as the amount you want refunded to you on line 63, you must enter zero on this line.

INSTRUCTIONS FOR SCHEDULE 42

SUPPLEMENTAL SCHEDULE FOR MULTISTATE/MULTINATIONAL BUSINESS

Part I of this schedule provides the computation of the Idaho apportionment factor and is to be used by taxpayers who have income from business activity which is taxable in Idaho and another state or country.

Part II of this schedule provides the worldwide and water's edge adjustments to compute combined income. Part II must be used by a corporation which has ownership in at least one foreign affiliate.

PART I APPORTIONMENT FORMULA

GENERAL INFORMATION

If the taxpayer transacts business in Idaho and another state or country, attach a schedule showing apportionment detail by company.

Corporations

When a unitary group files using the combined reporting method, each corporation included in the combined group must compute its own apportionment factors. It does this by including its total Idaho property, sales, or payroll in the numerators and using the property, sales, or payroll of all the corporations included in the combined report in the denominators. Schedule 42 is used to show the total for the unitary group. A schedule must be attached detailing the Idaho apportionment factor computation for each corporation in the group.

Worldwide Filers. For multinational unitary groups using the worldwide filing method, the denominators include the total property, sales, and payroll of all domestic and foreign corporations included in the unitary group.

Water's Edge Filers. For multinational unitary groups using the water's edge filing method, the denominators include only the total property, sales, and payroll of the water's edge combined group. This would exclude the property, sales, and payroll of foreign subsidiaries whose income is not included in the computation of apportionable income. To the extent the dividends are included in apportionable income, they are included in the sales factor denominator.

All intercompany amounts should be excluded from the computation of the apportionment factors.

Property Factor

The property factor is a fraction. The numerator is the average value of real and tangible personal property owned or rented and used in Idaho during the tax year to produce business income. The denominator is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the tax year to produce business income. Property used in the production of nonbusiness income is excluded from the factor.

Property is included in the factor if it is actually used or capable of being used during the tax year in the regular course of the trade or business of the taxpayer. Property under construction is excluded.

Property owned by the taxpayer is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustments) when it was acquired by the corporation and adjusted for subsequent capital additions or improvements, special deductions or partial disposition because of sale, exchange, abandonment, etc. Depreciation does not reduce original cost.

The average value of property owned by the taxpayer is computed by averaging the values at the beginning and ending of the tax year. The Idaho State Tax Commission may require or allow the averaging of monthly values to properly reflect the average values.

Property rented is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rents paid for the property, less the aggregate annual subrental rates paid by subtenants. Subrents are not deducted when the subrents are business income.

Sales Factor

The sales factor is double weighted for all taxpayers except electrical and telephone utilities. Electrical and telephone utilities use a single-weighted sales factor.

The sales factor is a fraction. The numerator is the gross receipts derived during the year from transactions and activities attributable to Idaho in the regular course of the taxpayer's trade or business. The denominator is the total gross receipts derived during the tax year from transactions and activities everywhere in the regular course of the corporation's trade or business. Receipts derived from the production of nonbusiness income are excluded from the sales factor.

Sales means all gross receipts derived from transactions and activity in the regular course of trade or business. Gross receipts means gross sales, less returns and allowances. Gross receipts from sales of tangible personal property are assigned to Idaho if:

- property is delivered or shipped to a purchaser in Idaho regardless of F.O.B. point or other conditions of sales; or
- property is shipped from an office, store, warehouse, factory, or other place of storage in Idaho and the taxpayer is not taxable in the state of the purchaser (throwback sales) or the purchaser is the United States Government.

Sales also include gross receipts from services and all other gross receipts such as interest, dividends, rents, royalties, gross receipts from the sale of property, and other income derived by the taxpayer in the regular course of business. If gross receipts do not fairly represent the extent of your business activity in Idaho, you may petition, or may be required, to use another method to obtain an equitable result. Income from services is attributable to this state to the extent that the services are performed in Idaho.

Payroll Factor

The payroll factor is a fraction. The numerator is the compensation paid in Idaho during the tax year to produce business income. The denominator is the total compensation paid during the tax year to produce business income. Compensation connected with the production of nonbusiness income is excluded from the payroll factor.

The total amount paid to employees is determined on the basis of the taxpayer's accounting method. Under the accrual method, all compensation properly accrued is deemed to have been paid.

If the taxpayer is required to report the compensation under the cash method for unemployment compensation purposes, compensation paid to employees may be included in the payroll factor using the cash method.

Compensation means wages, salaries, commissions and any other form of payment to employees for personal services. Payments made to an independent contractor, or any other person not properly classifiable as an employee, are excluded.

SCHEDULE 42

Compensation is paid in Idaho if any one of the following tests are met:

- the individual's service is performed entirely within Idaho; or
- the individual's service is performed both in and outside Idaho but the service performed outside Idaho is incidental to the individual's service in Idaho; or
- some of the service is performed in Idaho and the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in Idaho; or
- some of the service is performed in Idaho and the base of operations, or the place from which the service is directed or controlled, is not in any state in which some part of the service is performed, but the individual's residence is in Idaho.

MODIFIED FACTORS FOR CERTAIN INDUSTRIES

Idaho has adopted the Multistate Tax Commission (MTC) regulations for the following special industries. Examples of the computations of these factors are found in the applicable MTC regulations on the Internet at <http://www.mtc.gov>.

Airlines

If you are in the business of transporting passengers, freight or mail by air, your apportionment factor should reflect the movement of your transportation equipment and personnel. This is done by including transportation revenue, property ready for flight, and transportation payroll in the Idaho numerators based on the percentage of Idaho departures of aircraft weighted as to the value of aircraft by type to the total departures similarly weighted.

The value of nonflight property and nonflight payroll will be allocated to the state based on the general apportionment rules.

Carriers of Freight and Passengers

If you are in the business of transporting passengers, freight, or mail by motor carrier or rail, your apportionment factor should reflect the movement of your transportation equipment and personnel. This is done by including the transportation revenue, property and payroll in the Idaho numerators based on the percentage of miles traveled in Idaho to miles traveled everywhere.

Other revenue, fixed property, and compensation of employees assigned to fixed locations are included in the factors based on the general apportionment rules. Per diem and mileage charges paid or received for the temporary use of railroad cars should not be included in the sales or property factors.

Contractors

You must use the same long-term contract accounting method for Idaho reporting purposes that you used for federal reporting purposes.

If the percentage of completion method is used, the following special rules apply in addition to the general property, payroll, and sales factor rules.

The property factor denominator includes the average value of the taxpayer's cost of construction in progress (including materials and labor) to the extent the costs exceed progress billings. The portion of this amount attributable to construction projects in Idaho is included in the Idaho numerator. If progress billings exceed construction costs, do not include any value in the property factors for the taxpayer's equity in the project.

The sales factor includes only the portion of the gross contract price which corresponds to the percentage of the entire contract which was completed at the end of the tax year. For example, if the project was 30% complete at the end of the tax year, 30% of the bid price should be included in the gross receipts. Gross receipts from a construction project are attributable to Idaho if the construction is located in Idaho. Gross receipts from a construction project located partially in Idaho are included in the numerator based on ratio of construction costs

for the project in Idaho for the tax year to the total of construction costs for that project for the tax year.

Compensation paid for work on a particular construction project is included in the payroll factor even though capitalized into the cost of construction. Compensation is attributable to the state where most of the employee's service is performed, regardless of where reported for unemployment tax purposes.

Publishers

If you are in the business of publishing, selling, licensing or distributing books, newspapers, magazines, periodicals, trade journals or other printed material, include outer-jurisdictional property in the property factor whether owned or rented if used in your business. Outer-jurisdictional property includes such items as orbiting satellites and undersea transmission cables which are not physically located in any particular state. The portion of outer-jurisdictional property attributable to Idaho is computed based on the ratio of Idaho usage to usage everywhere.

The sales numerator includes gross receipts from the sale of printed materials delivered or shipped to a purchaser or subscriber in Idaho. Gross receipts from the advertising and the sale, rental or other use of customer lists are included as Idaho sales as determined by a circulation factor.

If the purchaser or subscriber is the U.S. Government or you are not taxable in the state, the gross receipts are attributable to Idaho if the printed material or other property is shipped from a business location in Idaho.

Broadcasters

If you are in the business of conducting television or radio broadcasts, either through a network or through an affiliated, unaffiliated or independent television or radio broadcasting station, your apportionment factor should exclude outer-jurisdictional, film and radio programming property. Outer-jurisdictional property includes orbiting satellites and undersea transmission cables which are not physically located in any particular state. Film programming means performances, events, or productions telecast, live or otherwise, on television. It includes news and sporting events in the format of a motion picture, a video tape, or other medium. Radio programming means all performances, events or productions broadcast live or otherwise on radio. It includes commercial, education or artistic works, in the format of an audio tape, disc or other medium.

Audio or video cassettes, discs or similar medium containing film or radio programming which is intended for sale or rental for home viewing or listening is included in the property factor at original cost.

The value of property located or used in Idaho for part of the taxable year is included in the Idaho property numerator based on the ratio that the number of days the property is located or used in Idaho bears to the total number of days you owned or rented the property during the tax year.

Idaho sales include advertising revenue from live television, film or radio programming in release to or by television and radio stations located in Idaho and receipts from live telecasts, films and radio programs based on the audience factor.

The payroll factor includes residual and profit participation payments paid to employees, directors, actors, newscasters and other individuals in a role of employee. Amounts paid to an individual, corporation or other business entity for providing the services of directors, actors, newscasters and other talent for a live television broadcast, film or radio program are included if such payments were at least 25% of total compensation paid to employees, and that failure to include the amounts would not fairly represent the extent of your business activity in Idaho. The portion of these amounts attributable to Idaho is determined according to the general apportionment rules.

SCHEDULE 42

Financial Institutions

If you are a financial institution, your apportionment factor should reflect your business of extending credit through loans and credit cards by including the value of these intangibles in your property factor.

You are a financial institution if you predominantly deal in money or moneyed capital in substantial competition with the business of national banks. Predominantly means more than 50% of your gross income is attributable to dealings in money or moneyed capital. Money or moneyed capital includes coin, cash, currency, mortgages, deeds of trust, conditional sales contracts, loans, commercial paper, installment notes, credit cards, and accounts receivable.

You are presumed to be a financial institution if you are one of the following:

- a corporation registered under state law as a bank holding company or registered under the Federal Bank Holding Company Act, as amended, or registered as a savings and loan holding company under the Federal National Housing Act, as amended;
- a national bank organized under the National Bank Act;
- a savings association or federal savings bank as defined in the Federal Deposit Insurance Act;
- a bank or thrift institution incorporated or organized under the laws of any state;
- a corporation organized under the provisions of Title 12 U.S.C. §§611 to 631;
- an agency or branch of a foreign depository as defined in Title 12 U.S.C. §3101;
- a corporation whose voting stock is more than 50% owned by an entity presumed to be a financial institution (insurance companies excluded); or
- a corporation that in the current year and immediately preceding two years, derived more than 50% of its total gross income for financial accounting purposes from finance leases.

In addition to the property included under the standard property factor as discussed on page 13, the property factor must also include the average value of your loans and credit card receivables. Loans and credit card receivables are valued at their average outstanding principal balance, without regard to any reserve for bad debts.

Loans and credit card receivables are considered located in Idaho if they are properly assigned to a regular place of your business in this state; that is, if the loan has a preponderance of substantive contacts with that place of business. Substantive contacts include solicitation, investigation, negotiation, approval, and administration.

There are also special rules for attributing receipts to a state for purposes of the sales factor. The payroll factor is computed the same as under the standard apportionment rules as discussed on pages 13 and 14.

SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form. Compute all percentages to four decimal places (00.0000%).

Property

Lines 1 through 4. Enter the beginning and end of the year total property and Idaho property amounts.

Line 9. Divide Idaho property by total property (amounts on line 8).

Sales

Lines 11 and 12. Enter the amounts from line 10 that were delivered or shipped to Idaho purchasers (line 11) or that were throwback sales to Idaho (line 12). A sale made in a state that

has no jurisdiction to tax the seller is a throwback sale.

Line 14. Attach a detailed schedule.

Line 16. Divide Idaho gross receipts by total gross receipts (amounts on line 15).

Electrical and telephone utilities. This is your single-weighted sales factor. Go to line 18.

Line 17. For all taxpayers other than electrical and telephone utilities, multiply the amount on line 16 by 2. This is your double-weighted sales factor.

Payroll

Line 19. Divide Idaho wages and salaries by total wages and salaries (amounts on line 18).

Total Percentage

Line 20. For all taxpayers other than electrical and telephone utilities, add the percentages on lines 9, 17, and 19. For electrical and telephone utilities, add the percentages on lines 9, 16, and 19.

Idaho Apportionment Factor

Line 21.

- For all taxpayers other than electrical and telephone utilities, divide the total on line 20 by 4.
- For electrical and telephone utilities, divide the total on line 20 by 3.
- If any of the factors do not apply to your business, divide the total on line 20 by the number of factors used. For example, if your business has no employees anywhere, your factor is reduced by one.

PART II. MULTINATIONAL ADJUSTMENTS

GENERAL INFORMATION

The worldwide filing method is required for all corporations unless the water's edge election has been made. The water's edge election must be made by filing Form 14, Water's Edge Election and Consent Form, with the original tax return filed by the corporation for the tax year. The election cannot be made on an amended return. Permission must be requested from the Idaho State Tax Commission to change from the water's edge method to the worldwide method.

SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the schedule.

To the extent that amounts listed for water's edge filers are different than the amounts listed for worldwide filers, separate instructions are listed.

ADDITIONS

Line 1 TAXABLE INCOME FROM UNITARY FOREIGN SUBSIDIARIES

Water's Edge Filers. If you are a water's edge filer, disregard this line and go to line 2.

Worldwide Filers. The income of a foreign affiliate included in a consolidated federal return is included on line 12, Form 41.

If foreign affiliates are not included in a consolidated federal return, the corporation can select one of the following options. The option selected must be used for all foreign affiliates not included in a consolidated federal return and must be adjusted

SCHEDULE 42

for the Idaho additions and subtractions listed on Form 41.

Option 1 Enter the net income before income taxes stated on each affiliate's profit and loss statement prepared for the United States Securities and Exchange Commission (SEC). If the profit and loss statement is not filed with the SEC, enter the net income or loss before income taxes reported on the profit and loss statement prepared for reporting to shareholders that is subject to review by an independent auditor.

Option 2 The net income or loss reported on the profit and loss statements may be adjusted to tax accounting standards as would be required by the IRC if the corporation were incorporated in the United States. If a corporation chooses to make the book to tax adjustments, all book to tax adjustments must be made for all unitary foreign corporations not included in the consolidated federal return. The book to tax adjustments must be consistently applied each year the group files a worldwide return.

Attach a schedule detailing the book to tax adjustments by company.

Line 2 FEDERAL TAXABLE INCOME OF NONCONSOLIDATED UNITARY SUBSIDIARIES

Enter the federal taxable income of unitary subsidiaries incorporated in the United States that are more than 50% commonly owned and that were not included in the federal consolidated return. This is the amount reported on the subsidiary's federal income tax return, Form 1120, adjusted for the Idaho additions and subtractions listed on Form 41. Attach a schedule identifying this income by company.

Line 3 FOREIGN SALES CORPORATIONS

Water's Edge Filers. Enter the federal taxable income of a Foreign Sales Corporation (FSC) from federal Form 1120-FSC. This is the federal amount computed after applying IRC Section 921, Exempt Foreign Trade Income Excluded From Gross Income.

Worldwide Filers. Enter the income of FSCs computed using Option 1 or Option 2 listed under the instructions for line 1. Do not include income previously reported on line 1.

Line 4 INCOME OF FOREIGN CORPORATIONS SUBJECT TO FEDERAL TAXATION

Water's Edge Filers. Enter the federal taxable income reported by corporations incorporated outside the United States that are required to file a federal income tax return. This includes foreign corporations filing a federal Form 1120F.

Worldwide Filers. Enter the income of foreign corporations subject to federal taxation computed using Option 1 or Option 2 listed under the instructions for line 1. Do not include income previously reported on line 1.

Line 5 IRC SECTION 936 POSSESSION CORPORATIONS

Enter the federal taxable income of corporations filing under IRC Section 936, Puerto Rico and Possession Tax Credit. For water's edge filers, this amount is considered a deemed dividend subject to the dividend exclusion that will be computed under "Subtractions."

Line 6 INTERCOMPANY ELIMINATIONS

Enter the amount of intercompany transactions between members of the combined group and nonunitary subsidiaries eliminated on the federal consolidated return. The income of the

nonunitary subsidiaries is a subtraction on line 9. Attach a schedule identifying the intercompany transactions by corporation.

Line 7 OTHER ADDITIONS

Enter any miscellaneous Idaho additions. Attach a schedule identifying each miscellaneous addition by corporation.

SUBTRACTIONS

Line 9 FEDERAL TAXABLE INCOME OF NONUNITARY SUBSIDIARIES INCLUDED ON THE FEDERAL RETURN

Enter the federal taxable income of nonunitary subsidiaries included in the federal consolidated return. Attach a schedule identifying the income or loss by corporation.

Line 10 DIVIDEND EXCLUSION

The following dividend exclusions are applicable only to water's edge filers.

- Foreign Dividends.** Enter the total amount of dividends paid by foreign affiliates. Include the amounts of income from controlled foreign corporations under subpart F if included in federal taxable income. Enter the portion of FSC dividends that are not included on line 11.
- Deemed Dividends From Possession Corporations.** Enter the amount from line 5, Part II. Do not include any actual dividends paid by possession corporations on this line.
- Exclusion Percentage.** If you elected to forego filing the water's edge spreadsheets as indicated on line 10b, Form 41, enter 80%. Enter 85% if you are filing the water's edge domestic disclosure spreadsheets.

Line 11 INTERCOMPANY DIVIDENDS INCLUDED ON THE COMBINED RETURN

Water's Edge Filers. Enter the total of the following amounts:

- the dividend income, included in federal taxable income, received by a member of the water's edge combined group from another member of the water's edge combined group;
- the dividend income, included in federal taxable income, received by a member of the water's edge combined group from a possession corporation; and
- the intercompany dividends paid by a FSC to another member of the water's edge combined group. The amount of dividends determined to be intercompany is the same proportion of the dividend paid as the proportion that FSC federal taxable income for the year out of which the dividend was paid bears to the total FSC income before taxes for that year.

Worldwide Filers. Enter the amount of any dividends paid by a member of the unitary group to another member of the unitary group that have not been subtracted elsewhere on this schedule or Form 41.

Attach a schedule identifying payors, payees and dividend amounts regardless of the filing method.

Line 12 INTERCOMPANY TRANSACTIONS INCLUDED ON THE FEDERAL RETURN

Enter the intercompany transactions, between members of the combined group, that have not otherwise been eliminated.

Line 13 OTHER SUBTRACTIONS

Enter any miscellaneous Idaho deductions. Attach a schedule identifying each miscellaneous deduction by corporation.